avenir analysis

A Cap on Payroll Contributions for Switzerland

Bringing Constitutional Protection for Workers in Line With That for Taxpayers

Any increase in federal taxes requires the approval of both a majority of voters and a majority of the cantons. Raising payroll contributions, however, faces significantly lower democratic hurdles. Politicians make deliberate use of that difference – at the expense of working people. If all pending reforms were financed entirely through higher payroll contributions, the additional burden on a median-income earner could amount to as much as 2,260 Swiss francs per year. Avenir Suisse therefore proposes introducing a constitutional cap on payroll contribution rates.

The Swiss constitution sets explicit ceilings on federal income tax (11.5%), corporate income tax (8.5%) and value-added tax (8.1%). Any effort to raise those limits must secure the approval of a double majority of voters and cantons. No comparable safeguard applies to payroll contributions for social insurance. They can be increased by a simple parliamentary majority. At most, they are subject to an optional referendum – requiring citizens to gather signatures – and even then, only a simple popular majority is needed.

That disparity is problematic. Contributions to the old-age pension system (AHV), disability insurance (IV) and the income compensation scheme (EO) function economically like taxes: benefits are capped, but contributions are not. In the AHV – the largest of the programs – current workers finance the pensions of today's retirees rather than building individual capital for themselves. The result is substantial redistribution. Yet these contributions are subject to lower democratic hurdles than traditional taxes.

Relevance in political practice

"This asymmetry creates a distorted incentive," said Michele Salvi, author of the study. "Policymakers prefer to finance new social spending through higher payroll contributions rather than through taxes – not for substantive reasons, but because the institutional barriers are lower." Two recent examples illustrate the point:

- In financing the **13th monthly AHV pension payment**, the Council of States in June 2025 deliberately separated the increase in value-added tax from the increase in payroll contributions. This allows part of the reform to be funded through higher payroll contributions even if voters reject the VAT increase. Federal Councillor Elisabeth Baume-Schneider explicitly stated in Parliament that "a legal linkage should be avoided, so that at least part of the costs can be financed through a contribution increase." The National Council subsequently voted in favor of linking the two measures. The matter now returns to the Council of States.
- The Federal Council and the Council of States initially rejected converting temporary federal support for **childcare centers** into a new childcare allowance, citing budget concerns.

Financing the program with federal tax revenue would have required a nationwide vote with a double majority. Instead, Parliament decided to shift the responsibility from the federal government to the cantons. Those cantons will likely fund the program through employer contributions. The result is politically convenient: Parliament can now redirect the tax revenues previously earmarked for childcare to other spending.

Workers Bear the Burden

Recent decisions reveal a pattern: as long as payroll contributions that function like taxes are institutionally easier to raise than taxes themselves, policymakers have an incentive to channel new spending through wage deductions. The additional burden thus falls primarily on the working population.

The scale of that burden becomes clear when looking at pending reforms. In an extreme scenario – from financing the 13th pension payment to proposals for expanded family leave – payroll rates could rise by around 2.6 percentage points. For a median annual salary of 87,977 Swiss francs, that would mean an additional 1,130 francs per year for both employee and employer – 2,260 francs per employment relationship in total.

A Constitutional Cap on Payroll Contributions

To correct this imbalance, Avenir Suisse proposes introducing a constitutional ceiling for payroll contributions that effectively function as taxes, modeled on the existing tax caps. Any increase beyond that limit would require approval by a double majority of voters and cantons.

“Today, the Constitution protects taxpayers better than workers,” Michele Salvi says. “A payroll contribution cap would correct that unequal treatment.” In the future, payroll contributions that resemble taxes would enjoy the same democratic safeguards as taxes themselves.

avenir analysis: "Eine Lohnprozentbremse für die Schweiz" (A Cap on Payroll Contributions for Switzerland), Michele Salvi and Oguz Bayindir, 5 pages, available online from Wednesday, March 11, 2026, 5:00 am in German and French at www.avenir-suisse.ch.

Further information: Michele Salvi (+41 44 445 90 09, michele.salvi@avenir-suisse.ch)